

2010-11 – 1st & 2nd QUARTER STATUS REPORT – Sr. Investment Officer, Fixed Income (C. Ishii)

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Quantitative Performance Measures

Total Fund

Weight	Performance Measure	Incentive Schedule	2nd Quarter Status
40%	Excess return deviation in basis points relative to: Total Fund Performance Benchmark {SJ1CA1 – CPERST02}	-27 basis points = 0 +7 basis points = 1.0 +23 basis points = 1.5	+26 bps {13.96 – 13.70}

Total Global Fixed Income Performance

Weight	Performance Measure	Incentive Schedule	2nd Quarter Status
40%	Net of Fees, excess return in basis points relative to: Global Fixed Income Performance Benchmark {SJEKA1 – CPERGF2}	0 basis points = 0 +33 basis points = 1.0 +50 basis points = 1.5	+126 bps {3.10 – 1.84}

Other Internally Managed Fixed Income Funds

Weight	Performance Measure	Incentive Schedule	2nd Quarter Status
5%	Net of Fees, excess return in basis points relative to:	0 basis points = 0 +3 basis points = 1.0 +5 basis points = 1.5	+22 bps {0.32 – 0.10}
	<ul style="list-style-type: none"> (1%) High Quality LIBOR Fund – CalPERS Blended LIBOR Fed Fund Index (Daily) {SW3X – CPERLFFD} 		
	<ul style="list-style-type: none"> (1%) Short Duration Fund – CalPERS Blended Libor Fed Fund Index (Daily) {SW9D – CPERLFFD} 	0 basis points = 0 +27 basis points = 1.0 +40 basis points = 1.5	+257 bps {2.67 – 0.10}
	<ul style="list-style-type: none"> (1%) Sec Lend Total Collateral Reinvest - CalPERS Blended Libor Fed Fund Index (Daily) {SX1EA1 – CPERLFFD} 	0 basis points = 0 +9 basis points = 1.0 +14 basis points = 1.5	<u>New performance measure; no status at this time</u>
	<ul style="list-style-type: none"> (1%) CalPERS Internally Managed Short Term – State Street STIF Net of Fees {SJ10 – Y8K2} 	0 basis points = 0 +3 basis points = 1.0 +5 basis points = 1.5	+1 bp {0.16 – 0.15}
	<ul style="list-style-type: none"> (2%-1%) Passive currency overlay portfolio – PERS PARETO CCR {SW5P – YET2} 	-33 basis points = 0 -17 basis points = 1.0 -8 basis points = 1.5	+4 bps {(0.15) – (0.19)}

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Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

Leadership

Weight	Performance Measure
15%	<ul style="list-style-type: none"> Investment Office Leadership and Management – By June 30, 2011, contribute to the value creation, capacity building, and organization support for the Investment Office by executing the following: <ul style="list-style-type: none"> Drive global leadership and financial market reform to improve investment performance and enhance delivery of services. Build organizational excellence by strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity by utilizing Senn Delaney training and communication concepts. Mentor and develop staff through regular coaching and feedback. Ensure 95% completion rate for annual performance appraisals and employee development plans. Team Participation – Cross Asset Class Collaboration – By June 30, 2011, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Risk Management, and Governance initiatives to improve investment performance and processes. Individual Contributions – Asset Class Priorities – By June 30, 2011, implement asset class priorities which contribute to the success of your program by adopting innovative approaches and overcoming obstacles to improve investment performance and processes. Organizational Management Practices <ul style="list-style-type: none"> Maintain an average position vacancy rate of 5% or less through the fiscal year 2010-11. Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2011. Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2011. Maintain a 90% EPAD completion rate. Address and resolve all outstanding audit findings within 12 months of audit report. Dedicate 30 minutes per month for Employee Recognition during the year through fiscal year 2010-11.

1st & 2nd Quarter Status:

Leadership:

Investment Office Leadership and Management:

- Participated in the 8/10 INVO leadership forum.
- Attended the 9/10 INVO working values training.
- Instrumental in securing Woody Brock as a speaker for the 9/10 INVO speaker series.
- Instrumental in securing Mohamed El Erian for the CII conference
- Supervised IO III performance compensation calibration discussion with leadership team.
- Regularly met with staff to provide feedback, mentoring and coaching as appropriate.
- Commented on Dodd bill, in the section on securitization and rating agency reform
- 10/10 speaker at the Asian American National Investment Managers Conference in SF.
- 9/10 provided speaking points for corporate governance letter on the SEC role in FINRA for CRA
- 9/10 provided corporate governance with language and comments for the Municipal Field Hearing as well as a speaker

Team Participation – Cross Asset Class Collaboration:

- Actively participating in the ISG meetings.
- Actively participate in Investment Office Roadmap Initiative.
- Actively participating in the discussion for the role of the asset classes in the total fund ALM process.
- Provided feedback and input to the teams on various projects in the strategic initiatives.
- 10/10 conducted the analysis and research for the purchase of a \$218 million CLO to use in another enhance equity strategy using fixed income alpha
- Created a new policy to allow for the enhance equity portfolio to include a number of different alpha opportunities for equities
- Provided resources for the custodial RFP
- Part of the team to help review and advise negotiations with equity and BlackRock on the procurement of the Aladdin system for equities

Individual Contributions – Asset Class Priorities:

- Supervised strategic plan team.
- Supervised the development of the role of global fixed income in the total fund ALM process.
- Restructured FI along functional lines to increase efficiency and create better coverage of subsectors
- 9/10 successfully recruited PM for Sovereign securities